

On Management

Unpleasant surprises

When you get bad news, don't try to assign blame. Figure out what happened and how to ease the pain.

Suppose you're the firm's managing partner. The firm's COO walks into your office with the CFO at her side. They have bad news: The firm is likely to miss its revenue forecast and, as a result, partner incomes will be about 10 percent below budget for the year. This comes as a complete surprise to you. The firm has been on budget all year until now, November. How should you respond?

Here's what I would do:

First, get the facts. Is an important client in financial difficulty? Have economic conditions caused some clients to go to a slow-pay practice with their vendors? Are partners late in getting out their bills? Was a significant fee reduced by a court? Did we make a forecasting error? Did we budget for receipt of a contingency fee even though its receipt was subject to conditions that had not yet been satisfied?

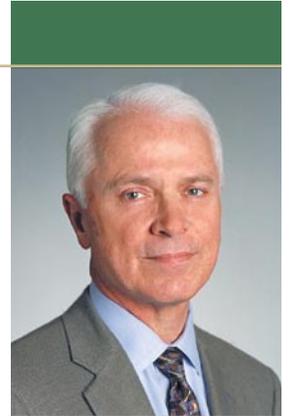
Remember that you must soon tell your partners about this. Find out the answers to questions they are likely to ask, starting with: Was this preventable? Assigning blame, important as that is, is not your immediate priority. There will be plenty of time for that later. The important thing now is to get the facts straight and to understand what caused the problem.

Now consider your options. Is there anything that can be done to ease the negative impact on current-year partner income? Can you accelerate into the current year revenue that is expected to be received next year? Are there any significant current-year expenses that can be reduced or pushed into next year? Be sure to ask your COO and CFO for their recommendations. They're the experts.

Your responsibility is to coax out of them the best advice they can offer. Next, develop an action plan that involves at least two elements: (a) how to deal with the revenue shortfall, and (b) what to communicate to partners. The plan should be simple. Leave the administrative details to your senior staff. Your principal responsibility is to understand the issues, decide what you're going to do, and then communicate with your partners.

Tell your partners everything you know. And do so immediately. A 10 percent decline in partner income is serious business at any time, and even more so when it comes as a surprise at the end of the year. The partners will be upset. And they're entitled to be. Partners will want to know why they didn't receive this news until November. You must be completely open and candid with them. It's also important to take full responsibility for the unpleasant surprise. And be prepared for the possibility that the news will find its way into the press. Plan your response.

Afterward, whether you or your COO should have known that this revenue shortfall was coming depends on the reason for the surprise. Figuring that one out is your next task. ■



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